

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Escutia Analyst: Rachel Coco Bill Number: SB 246

Related Bills: See Prior Analysis Telephone: 845-4328 Amended Date: May 10, 2004

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Court Ordered Debt/Allows Superior Court to Refer Delinquent Amounts To FTB For Collection/FTB & Judicial Council Seek Additional Resources Needed To Accept Referrals From All 58 Counties & Superior Courts

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED January 22, 2004.

☒ STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would give California superior courts the authority to refer restitution orders to the Franchise Tax Board (FTB) for collection and would require FTB to seek resources to accept additional debt collection referrals.

SUMMARY OF AMENDMENTS

The May 10, 2004, amendments removed two obsolete provisions of existing law relating to the debt collection program. In addition, the amendments added language that would require FTB to seek resources to accept additional debt collection referrals. Further, the amendments would remove the repeal date for the court-ordered debt (COD) collection program.

The amendments also would expand the current criteria that allows counties or courts to implement a collection program to include participation in FTB's COD collection program and the use of skip tracing.

This bill also would make changes to the Government Code. These changes would not affect the department and are not discussed in this analysis.

As a result of the amendments, a revised "This Bill" and "Program Background" discussions are included below. In addition, a policy concern has been identified. The remainder of the department's analysis of the bill as amended January 22, 2004, still applies.

Board Position:

_____ S _____ NA _____ NP
_____ SA _____ O _____ NAR
_____ N _____ OUA ☒ PENDING

Legislative Director

Date

Brian Putler

5/27/04

POSITION

Pending.

THIS BILL

This bill would explicitly allow all California superior courts to refer delinquent fines, penalties, and restitution directly to FTB for collection.

This bill would require FTB, in conjunction with the Judicial Council (JC), to seek whatever additional resources are needed to accept collection referrals from all 58 counties or superior courts.

This bill would expand criteria under which any county or court is authorized to implement a comprehensive collection program. The new criteria would include participation in FTB's Interagency Intercept and COD collection programs and the use of skip tracing or locator services.

This bill would remove obsolete provisions from existing law. Specifically, a provision that allowed FTB to limit the number of participants in the COD collection program to 17 counties, and a provision that required FTB to report to the Legislature regarding the feasibility of expanding the COD collections program.

This bill also would repeal the sunset date of the existing COD collection program, thus, extending the program indefinitely.

IMPLEMENTATION CONSIDERATIONS

The language requiring FTB, in conjunction with the JC, to seek additional resources could be interpreted to require FTB to seek additional funding for the program. However, the department receives funding for the COD collection program through the normal budgetary process. Since the department was granted a recent budget augmentation for the 2003/2004 fiscal year as described below under "Program Background," it is unclear whether additional funding would be necessary at this time.

PROGRAM BACKGROUND

FTB's COD collection program began January 1, 1995. Client participation in the program is voluntary and the department currently has 27 county-court clients and an inventory of approximately 800,000 cases. All money collected is deposited into the Court Collection Fund, which was created for the COD collections program. The balance of the account (minus FTB's administrative fee of up to 15%) is transferred to the courts, counties, or state agency to which the debt is owed.

For the department to receive any budget augmentation and associated spending authority for this collection program, the department must go through the usual budget process. For example, due to the 17 county participation limitation there was a waiting list of clients wanting to participate in the COD collection program as of December 2002. A 2003/04 Budget Change Proposal (BCP) was approved by the Department of Finance through the usual budget process. The BCP allowed FTB to increase staff by 26 positions to work approximately 900,000 cases from those clients on the waiting list and to increase collections by \$26.7 million for 2003/04 and ongoing collections by \$30.5 million. The BCP was apparently approved because FTB could justify that there would be sufficient collections from that inventory to fund the increase in staff.

ECONOMIC IMPACT

Collections Estimate

Collection Impact of AB 2544 (\$ In Millions)			
Fiscal Year	2005/06	2006/07	2007/08
Estimated Collections	\$27	\$72	\$94

Since the debts collected under the COD collection program are disbursed to the county or state fund originally owed, this bill would have no impact on the General Fund.

Discussion

It is estimated that there is approximately \$5 billion dollars of uncollected COD liabilities existing throughout the state's 58 counties. According to data contained in the FTB Court-Ordered Debt Collections Monthly Report (March 2004), the amount of collection revenues received has risen from over \$20 million in fiscal year 1999/00 to \$24 million in 2002/03. For the current 2003/04 fiscal year, indications point to a projected volume of roughly \$32 million, a 33% increase over the last fiscal year.

With the added efficiencies in case resolution, FTB continues to pursue partnerships with additional counties. To the extent FTB is able to form those partnerships, a conservative estimate of a 30% annual growth in collection dollar volume is likely to occur. Thus, extending the COD program beyond 1/1/06 is likely to result in roughly \$27 million additional collections over the second half of the 2005/06 fiscal year, with a full fiscal year impact of \$72 million by 2006/07 and a 30% increase thereafter.

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